

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF HARDIN COUNTY WATER)	
DISTRICT NO. 2 FOR AUTHORIZATION TO)	
ISSUE SECURITIES IN THE APPROXIMATE)	
AMOUNT OF \$5,020,000 FOR THE PURPOSE)	CASE NO.
OF REFUNDING CERTAIN OUTSTANDING)	2016-00198
REVENUE BONDS PURSUANT TO KRS)	
278.300 AND 807 KAR 5:001)	

ORDER

Hardin County Water District No. 2 (“Hardin County No. 2”) has applied for authorization to issue revenue bonds in the principle amount of \$5,020,000 to refinance existing bonds.¹ Having considered the record and being otherwise sufficiently advised, the Commission finds that:

1. Hardin County No. 2, a water district organized pursuant to KRS Chapter 74, owns and operates facilities that provide retail water service to 26,878 customers in Hardin, Larue, and Hart counties, Kentucky.²

2. Hardin County No. 2 proposes to issue Refunding Revenue Bonds, Series 2016B (“2016B Refunding Bonds”) and Series 2016C (“2016C Refunding Bonds”) in the principal amounts of \$2,320,000 and \$2,700,000, respectively. The proposed 2016B bonds will have a 9.5-year term with interest rates that vary between 2.0 percent and

¹ Hardin County No. 2 tendered its application to the Commission on June 27, 2016. The Commission accepted the application for filing on June 27, 2016. No party has sought to intervene in this proceeding.

² *Annual Report of Hardin County Water District No. 2 to the Public Service Commission of the Commonwealth of Kentucky for the Calendar Year Ended December 31, 2014* at 12 and 53.

3.0 percent per annum, while the proposed 2016C bonds will have an 8.5-year term with a fixed rate of 2.0 percent per annum.³

3. Hardin County No. 2 proposes to use the proceeds of the 2016B Refunding Bonds to retire the Water System Revenue Bonds, Series 2007A (“Series 2007A”).⁴

4. Approximately \$2,294,000 of the Series 2007A Bonds remains outstanding. These bonds bear an interest rate of 4.0 percent per annum.⁵

5. Hardin County No. 2 will expend \$2,395,508 to refund the outstanding Series 2007A bonds and to pay bond issuance costs.⁶

6. Hardin County No. 2 estimates that its proposed refinancing will result in total gross savings and net present value savings of \$1,492,622 and \$801,464, respectively.⁷

³ Application, Exhibit 1.

⁴ Case No. 2007-00487, *Application of Hardin County Water District No. 2, Hardin and Larue Counties, Kentucky (1) Seeking a Certificate of Public Convenience and Necessity Authorizing Construction of Major Additions and Improvements to Its Water System; (2) Seeking Approval of Revised Water Service Rates and Charges; and (3) Seeking Approval of the Issuance of Certain Securities, Pursuant to the Provisions of KRS 278.023 and 807 KAR 5:069 (Ky. PSC Dec. 18, 2007) (authorizing bond issuance).*

⁵ Application, Exhibit 4.

⁶ *Id.*, Exhibit 2. \$2,303,941 (Refunding Escrow Cash Deposit) + \$53,493 (Cost of Issuance) + \$34,800 (Underwriter’s Discount) + \$3,274 (Additional Proceeds) = \$2,395,508. The sources of these funds: \$2,320,000 (Par Amount of Bonds) + \$64,861 (Premium) + \$10,647 (Transfer from Prior Sinking Fund) = \$2,395,508.

⁷ *Id.*, Exhibit 3.

7. Hardin County No. 2 proposes to use the proceeds of the 2016C Refunding Bonds to retire the Water System Revenue Bonds, Series 2004A (“Series 2004A”)⁸ and 2005B (“Series 2005B”).⁹

8. Approximately \$1,630,000 of the Series 2004A remains outstanding. These bonds bear interest rates that vary between 3.7 percent and 4.0 percent per annum.¹⁰

9. Approximately \$1,040,000 of the Series 2005B remains outstanding. These bonds bear a fixed interest rate of 4.1 percent per annum.¹¹

10. Hardin County No. 2 will expend \$2,782,807 to refund the outstanding Series 2004A and Series 2005B bonds and to pay issuance costs.¹²

11. Hardin County No. 2 estimates that the proposed refinancing of the 2004A and 2005B bonds will result in total gross savings and net present value savings of \$243,087 and \$197,781, respectively.¹³

12. Hardin County No. 2’s proposed issuance of 2016B and 2016C Refunding Bonds is for a lawful object within Hardin County No. 2’s corporate purpose, is

⁸ Case No. 2004-00102, *Application of the Hardin County Water District #2 to Issue Securities in the Approximate Principal Amount of \$2,940,000 for the Purpose of Advance Refunding Certain Outstanding Revenue Bonds of the District Pursuant to the Provisions of KRS 278.300 and 807 KAR 5:001* (Ky. PSC Apr. 20, 2004) (authorizing bond issue).

⁹ Case No. 2005-00158, *The Application of the Hardin County Water District No. 2 to Issue Securities in the Approximate Principal Amount of \$1,775,000 for the Purpose of Advance Refunding Certain Outstanding Revenue Bonds of the District Pursuant to the Provisions of KRS 278.300 and 807 KAR 5:001* (Ky. PSC Apr. 28, 2005) (authorizing bond issue).

¹⁰ Application, Exhibit 8.

¹¹ *Id.*, Exhibit 9.

¹² *Id.*, Exhibit 6. \$2,681,530 (Refunding Escrow Cash Deposit) + \$60,506 (Cost of Issuance) + \$40,500 (Underwriters Discount) + \$270 (Additional Proceeds) = \$2,782,807. The sources of these funds: \$2,700,000 (Par Amount of Bonds) + \$54,354 (Premium) + \$28,453 (Transfer from Prior Sinking Fund) = \$2,782,807.

¹³ *Id.*, Exhibit 7.

reasonably necessary, appropriate for and consistent with the proper performance of its service to the public, will not impair Hardin County No. 2's ability to perform that service, and is reasonably necessary and appropriate for such purpose.

IT IS THEREFORE ORDERED that:

1. Hardin County No. 2 is authorized to issue its proposed 2016B and 2016C Refunding Bonds in a principal amount not to exceed a total of \$5,020,000 for the purpose of refinancing the Series 2004A, Series 2005B, and Series 2007A Bonds, but only under such terms and conditions that will produce both positive gross savings and net present value savings.

2. If the actual terms and conditions of the 2016B or 2016C Refunding Bonds differ from those set forth in the application, Hardin County No. 2 shall, within 30 days of issuing the 2016B or 2016C Refunding Bonds authorized in this proceeding, file with the Commission amortization schedules and work papers showing the actual gross savings and net present value savings that resulted from the refinancing of the Outstanding Revenue Bonds.

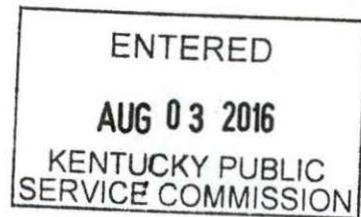
3. Hardin County No. 2 shall, within 30 days of issuing the 2016B and 2016C Refunding Bonds authorized herein, file with the Commission a statement setting forth the date each of the 2016B and 2016C Refunding Bonds were issued, the actual interest rates, and the principal amount.

4. The proceeds from Harding County No. 2's issuance of the 2016B and 2016C Refunding Bonds shall be used only for the lawful purposes specified in the application.

5. Any documents filed pursuant to ordering paragraphs 2 and 3 of this Order shall reference the number of this case and shall be retained in the utility's general correspondence file.

Nothing contained herein shall be construed as a finding of value for any purpose or as a warranty on the part of the Commonwealth of Kentucky or any agency thereof as to the securities authorized herein.

By the Commission



ATTEST:


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